Gina Harrison
Director
Federal Regulatory Relations

1275 Pennsylvania Avenue, N.W., Suite 400
Washington, D.C. 20004
(202) 383-6423

PACIFIC TELESIS.
Group-Washington

RECEIVED

SEP 27 1995

FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

DOCKET FILE COPY ORIGINAL

September 27, 1995

William F. Caton
Acting Secretary
Federal Communications Commission
Mail Stop 1170
1919 M Street, N.W., Room 222
Washington, D.C. 20554

Dear Mr. Caton:

Re: *CC Docket No. 95-115 - Amendment of the Commission's Rules and Policies to Increase Subscribership and Usage of the Public Switched Network*

On behalf of Pacific Bell and Nevada Bell, please find enclosed an original and six copies of their *"Comments on the Notice of Proposed Rulemaking"* in the above proceeding.

Please stamp and return the provided copy to confirm your receipt. Please contact me should you have any questions or require additional information concerning this matter.

Sincerely,

Enclosure

No. of Copies rec'd 0+5
List A B C D E

RECEIVED
SEP 27 1995
FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

In the Matter of	)	
	)	
Amendment of the Commission's Rules and Policies to Increase Subscribership and Usage of the Public Switched Network	)	CC Docket No. 95-115

COMMENTS OF PACIFIC BELL AND NEVADA BELL ON THE NOTICE OF PROPOSED RULEMAKING

LUCILLE M. MATES
JEFFREY B. THOMAS

140 New Montgomery Street, Rm. 1522A
San Francisco, California 94105
(415) 542-7661

JAMES L. WURTZ
MARGARET E. GARBER

1275 Pennsylvania Avenue, N.W.
Washington, D.C. 20004
(202) 383-6472

Attorneys for Pacific Bell
and Nevada Bell

Date: September 27, 1995

TABLE OF CONTENTS

		Page
SUMMARY		ii
COMMENTS OF PACIFIC BELL AND NEVADA BELL		1
I	IN ORDER TO INCREASE TELEPHONE SUBSCRIBERSHIP LEVELS, LECs SHOULD BE FREE TO EXPERIMENT AND TO TAILOR PROGRAMS THAT MEET THE NEEDS OF THEIR CUSTOMERS	1
	A. Subscribership Principles	1
	B. Subscribership Barriers And Means Of Addressing Them	6
	C. Subscribership Measurements	11
	D. Consumer Awareness	11
II	THE COMMISSION SHOULD NOT PROHIBIT DISCONNECTION OF LOCAL SERVICE FOR NON-PAYMENT OF INTERSTATE SERVICE	13
	A. The Prohibition On Disconnection Would Be Contrary To The Public Interest In Numerous Ways	15
	B. The Commission Lacks The Authority To Prohibit Disconnection Of Local Service For Nonpayment Of Interstate Service In The Manner Suggested	19
III.	WE HAVE DEVELOPED NEW SERVICES FOR INCREASING SUBSCRIBERSHIP LEVELS; SERVICES SHOULD NOT BE MANDATED	22
	A. Disconnection Related To Failure To Pay Interstate Long-Distance Charges	22
	1. Call Control Services	22
	a. Voluntary Long-Distance Blocking Services	22
	b. Other Long-Distance Restriction Services	24
	2. Assistance With Connection Charges And Deposits	26
	3. Lifeline Assistance	28
	B. Services Targeted For Low-Income Populations That Are Highly Mobile	29
	1. Voice Mail	29
	2. Prepaid Debit Cards	32
	3. Paging Services	32
	C. Extending Telephone Service To Unserved Areas	33
	1. BETRS	33
	2. Subscriber Loop Carrier Systems	36
	3. Third-Party Fixed Cellular	37
	4. Third-Party Mobile Satellite Service	38
IV.	CONCLUSION	40

SUMMARY

High levels of telephone subscribership have long been a national public policy objective. This objective has served our nation well. Today almost 94 percent of the households in the United States. including almost 95 percent of the households in California, receive telephone service. We believe that we can do even better. We recognize that the goal of the Communications Act is to make communication service available. "so far as possible to all the people of the United States." We are concerned that subscribership is lower than average among certain demographic groups and in certain geographic areas. We are taking concrete steps to address this concern.

The Commission should continue to encourage the development of measures for increasing subscribership and should work with state commissions concerning these measures. The Commission, however, should not mandate subscribership improvement services or new programs. Conditions of subscribership vary widely from state to state, and there are multiple factors that affect subscribership. For instance, in California we have a much higher rate of immigration than in most states and, thus, language barriers are of particular concern to us. We have established programs to address this concern. Programs that are of highest priority in California, however, may not fit the most urgent needs of other states, just as their programs may not fit California's needs.

Accordingly, determination of appropriate penetration levels and how to increase penetration should reflect specific state characteristics. Therefore, any new programs designed to increase penetration and subscribership should be managed and addressed by state regulatory bodies.

The Commission should not mandate nationwide subscribership improvement programs based on the perceived success of some states. For instance, the Commission is considering whether or not to mandate a program based largely on the high penetration rate

of Pennsylvania, which prohibits disconnection of local service for nonpayment of interstate long distance charges. More recent figures, however, show that several states have surpassed Pennsylvania's penetration rate. The success of states fluctuates, and the Commission should not base nationwide programs on ephemeral statistics.

The Commission should not use subscribership rates of particular states as a justification to require programs that begin after the subscribership problem has occurred and simply outlaw disconnection. Those programs pass the burden onto the carriers and the general body of ratepayers. The focus should be on up-front root-cause solutions that help customers control their calling and manage their debt and that help highly mobile customers, so that customers' problems can be solved before they ever reach the point of requiring disconnection. These root-cause solutions protect the customers that need help, without jeopardizing the carriers and general ratepayers.

The California Affordability Study, jointly funded by Pacific Bell and GTE-California, and our ongoing relationships with community leaders have enabled us to break-down issues related to increasing subscribership in our territory into root-cause solutions. The study found, "12% of all residential customers have had financial difficulty paying their telephone bill: 6% at least 'somewhat often.'" These customers could become tomorrow's non-customers. To significantly improve subscribership levels, these "at risk" customers must be considered in addition to non-customers. Retention of service for these customers is a key issue.

The California Affordability Study is evidence of the importance of toll-call control to retain customers, and we intend to offer toll blocking and other services to deal with this customer need. These services are targeted directly at helping customers solve subscribership problems, without creating the problems and risks of a prohibition on disconnection of local service for nonpayment of interstate service. The problems and risks of that prohibition are substantial and numerous.

First, the prohibition would severely reduce the incentive of customers to take advantage of toll blocking and other call-control and debt-management services. Second, if customers do not learn to control their toll calling and to manage their toll debt, experience shows that they ultimately will default on their local charges as well. Third, telephone company net bad debt would increase dramatically. This raises prices for all subscribers, potentially decreasing subscribership levels. Fourth, the increased bad debt may discourage the continuation of LEC billing services for IXCs, which meet the desires of many customers to have one telephone bill. Fifth, the costs to change our billing systems and operations in order to implement this prohibition would be substantial and would reduce our efficiency. Based on Bell of Pennsylvania's experience, we expect that there would be substantially increased customer contact time needed to explain and implement the prohibition. We conservatively estimate an increase of our costs of over $22 million annually for 450 additional collection representatives. Sixth, the prohibition would frustrate the Commission's intent that we continue to be able to disconnect interstate service for nonpayment of interstate charges. The only way to prevent some types of interstate calls, and intentional nonpayment and fraud related to them, is to disconnect all service. Thus, once again, this prohibition on disconnects would increase costs for all subscribers and ultimately could reduce subscribership

Therefore, the Commission should not prohibit disconnection of local service for nonpayment of interstate service. Rather than prohibiting disconnection, the Commission should allow LECs to continue to develop innovative services that help customers control their usage of telephone service and avoid getting into a situation where disconnection is required. Consistent with the results of the California Affordability Study, Pacific Bell has developed two options for blocking long-distance services, Toll Restriction and Toll Blocking. As a general principle, in addition to controlling toll calls, Toll Restriction provides relief in two areas:

- It allows the customer an extended period of time to pay off outstanding charges (up to six months)
- It serves as a form of security, which can be used in lieu of a deposit

Toll Blocking will be available as a product for those customers who want to exercise greater control over their telephone service, but are not delinquent in meeting our payment requirements. Toll Blocking is proposed to be tariffed at $2 per month, with no installation or non-recurring fees.

Pacific Bell currently provides additional services that restrict long distance and other services. We provide Quick Dial Tone ("Warm Line") and Limited Disconnect services at no charge. We also provide Billed Number Screening ("BNS"), which is somewhat effective in blocking collect calls and/or calls billed to a third-party number, and Information Call Services Blocking ("ICSB"). In addition to offering these services and screens that directly block or restrict service, we believe that limiting customers' credit for toll services and providing customers with early warnings if their toll service is unusually high helps some customers control their usage and remain subscribers.

As the Commission points out, and the California Affordability Study confirms, impermanent living situations of highly mobile customers correlate with non-subscribership. For many of these customers, allowing discounted installation charges more than once a year would be very helpful. Therefore, we recommend that Link Up assistance be expanded to support unlimited installations per year. We believe that use of voice mail boxes, prepaid long-distance cards, and paging services may help keep those with impermanent living arrangements connected to the public switched telephone network when typical basic service connections are impractical or unaffordable. Pacific Bell has been very active in the use of voice mail boxes to help mobile customers obtain connectivity to telephone service. We have a Community Service Voice Mail Program which is designed for use by non-profit organizations.

Pacific Bell and Nevada Bell have found Basic Exchange Telecommunications Radio Service ("BETRS") to be of assistance in extending service to previously unserved rural areas. We also use Subscriber Loop Carrier systems. Unlike BETRS, these systems are not used for local loop service, but are used for "loop extensions;" they use radio in the place of feeder cable internal to the carrier's network to traverse vast or rugged terrain less expensively and with lower environmental impact than with copper or fiber cables.

In addressing subscribership issues, the Commission should keep in mind the difference between availability and affordability. With new technologies, telephone service could be made available everywhere, but it would be very expensive. Competition is unlikely to bring low-priced telephone service to customers in unserved rural areas so long as prices in served rural areas continue to be subsidized through geographic rate averaging. Thus, any requirements or incentives to provide service in these areas would need government funding, with reimbursement of LEC costs above those that could be recovered from the customers.

In summary, the Commission should allow LECs to continue to develop solutions for increasing telephone subscribership and to continue to work with state commissions on this goal. Additional federal support would be helpful, but mandates are not needed and would reduce the flexibility needed to develop solutions that address local problems. The best solutions aim at the root cause of subscribership problems by helping customers to control their calls. We are striving to increase our provision of these root-cause solutions in order to increase telephone service subscribership.

Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

In the Matter of	)	
	)	
Amendment of the Commission's Rules and Policies to Increase Subscribership and Usage of the Public Switched Network	)	CC Docket No. 95-115

COMMENTS OF PACIFIC BELL AND NEVADA BELL ON THE NOTICE OF PROPOSED RULEMAKING

Pacific Bell and Nevada Bell submit these Comments in response to the Notice of Proposed Rulemaking ("NPRM") that the Commission released on July 20, 1995, in the above-captioned proceeding.

I. IN ORDER TO INCREASE TELEPHONE SUBSCRIBERSHIP LEVELS, LECs SHOULD BE FREE TO EXPERIMENT AND TO TAILOR PROGRAMS THAT MEET THE NEEDS OF THEIR CUSTOMERS

A. Subscribership Principles

High levels of telephone subscribership have long been a national public policy objective. The Commission's universal service policy is rooted in the Communications Act of 1934, with its explicit purpose "to make available, so far as possible, to all the people of the United States a rapid, efficient, nation-wide and world-wide wire and radio communication service with adequate facilities at reasonable charges....".[1] This purpose has served our nation well. Today almost 94 percent of the households in the United States, including almost 95 percent of the households in California and over 92 percent of the households in Nevada, receive telephone service.[2]

Pacific Bell and Nevada Bell believe that we can do even better. We recognize that the goal of the Communications Act is to make communication service available, "so far as possible, to <u>all the people</u> of the United States."[3] We are concerned that subscribership is lower than average among certain demographic groups and in certain geographic areas in the territories that we serve. We are taking concrete steps to address this concern and will describe some of those steps in these comments.

As the Commission addresses subscribership issues, it should keep in mind that its policies have helped achieve high subscribership levels by stressing the Communications Act's prescription for "efficient...communication service...at reasonable charges."[4] In the single-provider environment of the past, the Commission helped meet this goal through rate-base rate-of-return regulation. For the transition to competition, and in order to encourage LECs to be more efficient, the Commission adopted price cap regulation. Now the Commission is preparing for streamlined regulation of LEC services that are competitive and for non-dominant regulation of

---

[1] Section 1 of the Communications Act of 1934, as amended, 47 U.S.C. § 151.

[2] "FCC Releases Telephone Subscribership Data," FCC, 1995 FCC LEXIS 5121, August 1, 1995.

[3] 47 U.S.C. § 151 (emphasis added).

[4] <u>Id.</u>

LECs facing full competition.[5] The Commission has taken various steps to increase competition for LECs in order to increase LEC efficiency and drive LEC rates toward cost.[6] Similar steps have been taken by state commissions. Pacific Bell, for instance, will face full competition from Competitive LECs ("CLECs") certified by the California Public Utilities Commission starting January 1, 1996. We have consistently supported full competition so long as all competitors, including the LECs, are equally free of regulatory restraints.

In addressing subscribership issues, the Commission should not distort the efficiencies and competitive market conditions that it has helped create. In the single-provider environment of the past, implicit subsidies could be included in certain rates in order to support lower rates for other services. With the advent of competition, these subsidies distort markets by encouraging less efficient entrants in LEC markets that supply subsidies and by discouraging efficient entrants in LEC markets that obtain subsidies.

Therefore, these types of subsidies no longer work. Accordingly, to the extent possible, a competitive market place should be depended upon to maximize subscribership levels. Subscribership programs, when needed, should be targeted at those with a definite need and should be compatible with market conditions. Subscribership programs should be cost effective and competitively neutral. The most

---

[5] "Commission proposes LEC price cap changes to adapt to and encourage local exchange competition." (CC Docket Nos. 94-1, 93-124, 93-197), FCC News Release, September 14, 1995.

[6] E.g., Expanded Interconnection with Local Telephone Company Facilities, CC Docket No. 91-141, Memorandum Opinion and Order, 9 FCC Rcd 5154 (1994).

economically efficient manner of funding government sponsored subscribership programs is through explicit, broad-based, competitively neutral funding. Accordingly, funding should be supplied by all competing telecommunications providers or by a surcharge on all end users

The Commission also should keep in mind the difference between availability and affordability With new technologies, telephone service could be made available everywhere, but it would be very expensive. It is less expensive to use certain wireless services than wireline services to reach unserved areas, but the cost is still high. Decisions are needed concerning who will pay the extra expense of service for people who live in rural areas -- the customers themselves or society via government programs. To the degree that LECs are mandated to increase the availability of any type of product or service in order to increase subscribership, LECs are entitled to be reimbursed via government funding for any incremental cost to the business (including bad debt recovery) resulting from the mandated programs which the LECs are not able to collect from the cost-causers.

The Commission should continue to encourage the development of measures for increasing subscribership and should work with state commissions concerning these measures A federal and state forum, with open meetings of federal and state commissioners at various locations around the country, probably would be helpful.

The Commission, however, should not mandate subscribership improvement services or new programs. Conditions of subscribership vary widely from state to state, and there are multiple factors that affect subscribership. For instance, in

California we have a much higher rate of immigration than in most states and, thus, language barriers are of particular concern to us. We have established programs to address this concern, which we describe in the following sections of this part of our comments. Programs that are of highest priority in California, however, may not fit the most urgent needs of other states, just as their programs may not fit California's needs.

Accordingly, determination of appropriate penetration levels and how to increase penetration should reflect specific state characteristics. Therefore, any new programs designed to increase penetration and subscribership should be managed and addressed by state regulatory bodies.

In the NPRM in this proceeding, the Commission recognizes differences among the states. The Commission points out, "Three states have less than 90 percent subscribership."[7] A few states may need special attention, but the Commission should not mandate nationwide services and programs based on these few states.

Similarly, the Commission should not mandate nationwide subscribership improvement services and programs based on the perceived success of some states. For instance, the Commission is considering whether or not to mandate a program based largely on the high penetration rate of Pennsylvania, which prohibits disconnection of local service for nonpayment of interstate long distance charges. More recent figures, however, show that several states have surpassed Pennsylvania's penetration rate.

---

[7] NPRM, para. 1. Based on the November 1994 penetration rates available at the time, the three states were Mississippi, New Mexico, and South Carolina. In the March 1995 penetration rates that were issued August 1, 1995, New Mexico rose above 90 percent, but Arkansas fell below 90 percent

The success of states fluctuates. The Commission should not base nationwide programs on ephemeral statistics.

The Commission also should not use subscribership rates of particular states as a justification to require programs that begin after the subscribership problem has occurred and simply outlaw disconnection. Those programs pass the burden onto the carriers and the general body of ratepayers. The focus should be on up-front root-cause solutions that help customers control their calling and manage their debt and that help highly mobile customers, so that customers' problems can be solved before they ever reach the point of requiring disconnection. These root-cause solutions protect the customers that need help, without jeopardizing the carriers and general ratepayers.

The development of root-cause solutions involves factors affecting subscribership that vary among the states and are numerous and complex. The states and LECs need the flexibility to experiment regarding how best to address barriers to subscribership within their territories.

B. Subscribership Barriers And Means Of Addressing Them[8]

We are concerned about barriers to subscribership. Subscribership levels are the result of multiple factors, including:

- Ability to pay
  - Installation charges

[8] The Commission requests comments on subscribership barriers at NPRM para. 44.

- Toll charges
- Mobility
- Availability of network facilities
- Availability of substitute facilities
- Immigration rates -- English as a second language
- Personal preferences

California has one of the nation's most aggressive programs to ensure that everyone who wants local telephone service can afford it. The Moore Universal Telephone Service Act of 1984 established a lifeline telephone program which offered the lowest-cost service in the nation, which is now funded by a surcharge on nearly all intrastate end-user services. Other states and the FCC developed similar programs. Over 20 percent of Pacific Bell's residential customers now benefit from California's Universal Lifeline Telephone Service ("ULTS"), and almost 95 percent of California residences have telephone service. We are concerned, however, about those California residents who do not have telephone service and want it. We are actively addressing this concern.

The California Affordability Study, jointly funded by Pacific Bell and GTE-California,[9] and our ongoing relationships with community leaders enabled us to break-down issues related to increasing subscribership in our territory. The perception of non-customers as never having had service and not knowing how to get service was not supported by the study. One of the key findings was, "Most (65%) non-customers

[9] "Affordability of Telephone Service - A Survey of Customers and Non-Customers," conducted by Field Research Corporation, 1993, vol. 1, at S-7 ("California Affordability Study"). This study was mandated by the California Public Utilities Commission.

have had telephone service and most of this group has had it relatively recently."[10] Non-customers generally know how to get telephone service, are comfortable ordering service, and know that service representatives are available that speak languages other than English.

The study found, "12% of all residential customers have had financial difficulty paying their telephone bill: 6% at least 'somewhat often.' "[11] These customers could become tomorrow's non-customers. To significantly improve subscribership levels, these "at risk" customers must be considered in addition to non-customers. Retention of service for these customers is a key issue. Fortunately, they generally want to better control their monthly telephone bills, and we want to help them.

The Affordability Study provided us with new insights concerning subscribership barriers related to both non-customers and "at risk" customers. Working with community groups, we have taken these insights and broken customer-retention barriers into types and have developed potential solutions for each type. Types of barriers and potential solutions are as follows:

1. MOBILITY (MOVE FREQUENTLY)[12]

Factors
- Renters
- Economic/jobs

Pacific Bell Potential Solutions
- Installation charge
  (installment payment plan over 3 months)
- Reduced installation rates -- Lifeline
  ($10.00)

[10] Id. at Volume 1, p. S-7.
[11] Id. at Volume 2, p. S-1.
[12] See id. at Volume 1, pp. S-2, S-20; Volume 2, p. S-5.

- Payment arrangements
  (tailored to customer circumstances)
- Quick dial tone
  (e.g., emergency 911 access)

2. CALL CONTROL (DIFFICULTY CONTROLLING PHONE USAGE)[13]

   Factors
   - Long distance charges
   - Multiple family households

   Pacific Bell Potential Solutions
   - Toll restriction/toll blocking
   - Prepaid cards
     (prepaid toll and long distance)
   - Improved customer management processes
     (early warning of excessive charges)
   - Quick dial tone
     (e.g., emergency 911 access)

3. DEBT MANAGEMENT SKILLS[14]

   Factors
   - Ineffective debt management skills
   - Debt structure confusion

   Pacific Bell Potential Solutions
   - Payment arrangements
   - Toll restriction
   - Prepaid cards
   - Improved customer management processes
     (early warning of excessive charges)

We discuss details of many of these potential solutions to subscribership barriers below in Part III of these comments

Subscribership barriers are created by complex factors dealing with poverty, immigration, education, and culture. In an effort to ensure that essential

[13] See id. at Volume 1, pp. S-7, S-23; Volume 2, p. S-9.
[14] See id. at Volume 2, p. S-15

services are affordable and available to everyone, Pacific Bell has joined with community groups to address the problems. As part of this effort, Pacific Bell is committed to using its best efforts to increase telephone penetration rates, with a goal of achieving 95 percent telephone penetration within five years for Hispanics, Asian Americans, and African Americans.

We believe that attainment of the 95 percent penetration goal will require that steps be taken to achieve the following objectives

- Competition needs to be fostered in the long-distance market. Lower long-distance rates, to which Pacific Bell has committed once it is allowed to provide long-distance service in California, should make it easier for customers to control their phone bills, avoid undesired service disconnections, and better manage their discretionary income.

- IXCs need to develop and market products and services that will enable their customers to better control their long-distance phone bills, thereby avoiding undesired service disconnections.

- Consistent with current thinking in ongoing California P.U.C. proceedings, all companies that will provide local telephone service in Pacific Bell's local service territory should strive to attain these high rates of penetration among these groups of residents.[15]

---

[15] In a draft California P.U.C. Decision, the Administrative Law Judge has concluded that competitive LECs "should be required to include in their annual reports their efforts to attain universal service for non English speaking and low income people in the communities that the CLCs serve, similar to what the Commission directed Pacific and GTEC to do in D.94-09-065." Rulemaking and Investigation on the Commission's Own Motion into Universal Service and to Comply with the Mandates of Assembly Bill 3643, R.95-01-020, I.95-01-021, Draft A.L.J. Decision, July 19, 1995, Conclusion of Law no. 39 p. 87.

C. Subscribership Measurements[16]

We believe that the Census Bureau's Current Population Survey ("CPS") is the best available source of data for use in subscribership measurement. Pacific Bell uses those data to measure telephone penetration levels in at-risk communities. To accomplish this task, we track telephone penetration rate estimates in all segments, including lower-income households (i.e., households with income less than $20,000) based on ethnicity. It may be useful for the Census Bureau to ask customers who indicate that they do not have telephone service whether or not they subscribe to alternatives to regular telephone service, including paging service, voice mail service, or answering bureaus.[17] We discuss the paging and voice mail alternatives below in Part III Section B concerning services for highly mobile customers.

D. Consumer Awareness[18]

We are committed to lessening the effect on subscribership levels that may be caused by language barriers. Pacific Bell, with the assistance of community groups, started providing services in languages other than English ten years ago, and we are the largest provider of multi-lingual services in California, perhaps the nation. Each year, we receive over 6 million calls to our business offices from customers who

---

[16] The Commission requests comments on subscribership measurement at NPRM para. 45.

[17] These services can be used in conjunction with payphones, without subscribing to wireless service.

[18] The Commission requests comments on consumer awareness at NPRM paras. 46-52.

speak Spanish, Chinese, Korean, Tagalog, and Vietnamese. Written materials are available in these five languages, in addition to English.

In addition to ensuring that our customers can communicate with us, we are taking special efforts to ensure that eligible households know about our lifeline service. Accordingly, we have the following Universal Lifeline Telephone Service ("ULTS") Marketing Plans:

- One-Year and Two-Year Hispanic ULTS Marketing Plan to promote ULTS to Spanish-speaking Hispanics within our service territory. Our plan includes extensive use of mass media advertising and community-based outreach.

- One-Year and Two-Year Asian ULTS Marketing Plan to promote ULTS to non-English-speaking Chinese, Vietnamese, Koreans, Japanese, and Filipinos. Our plan utilizes mass media advertising and community-based outreach to reach the Chinese and Vietnamese communities, while we focus solely on community-based outreach to reach the Korean, Japanese, and Filipino markets.

- One-Year and Two-Year African-American ULTS Marketing Plan to promote ULTS to low income African-Americans living in California. Our plan utilizes mass media advertising and community-based outreach to reach this market segment.

- One-Year and Two-Year General/Mandated ULTS Marketing Plan designed to comply with regulatory requirements and to increase awareness of ULTS among those persons who are not specifically targeted in our other One-Year and Two-Year ULTS Marketing Plans set forth above. Our marketing activity in this plan is entirely mass media, consisting of the use of direct mail (bill inserts), public displays (posters and brochures), and a toll-free ULTS 800 number.

- Five-Year ULTS Marketing Plan (i.e., for 1998) to continue to promote ULTS to Spanish-speaking Hispanics, non-English-speaking Asians, African-Americans, Seniors, as well as all other residence customers and non-customers. We may also develop other targeted ULTS marketing plans if the need arises.

> We will continue to utilize mass media advertising (including TV, radio, print, and outdoor advertising) and community-based outreach throughout this period.

In addition to our ULTS marketing plans, California's streamlined certification procedures to determine eligibility for ULTS assistance also encourage eligible persons to avail themselves of existing programs. This simplified process is particularly helpful to persons facing language barriers Under California procedures, persons fill out and sign a simple form concerning their income eligibility. No other certification is required as part of the application process. Our lifeline program is further discussed below in <u>Part III</u>

II. <u>THE COMMISSION SHOULD NOT PROHIBIT DISCONNECTION OF LOCAL SERVICE FOR NON-PAYMENT OF INTERSTATE SERVICE</u>

In order to "keep low-income subscribers from being disconnected from local service," the Commission is considering whether or not to require all LECs to offer interstate long-distance blocking services at reasonable rates.[19] Alternatively, in order to meet this same goal the Commission seeks comment on prohibiting any common carrier from interrupting or disconnecting local exchange service for failure to pay interstate long-distance charges[20]

As discussed below in <u>Part III</u>, Pacific Bell expects to offer blocking services soon that cover not only interstate toll but also intrastate toll, and Nevada Bell

---

[19] NPRM, para. 7

[20] <u>Id.</u>

currently offers these services. Therefore, if the Commission were to require long distance blocking services we most likely already would meet the requirement. Nonetheless, the Commission should not mandate these services. LECs need the flexibility to develop services that will help increase subscribership in ways that meet the needs of customers in their service territories. What meets these needs in California or Nevada is not necessarily what meets the needs in all the other states. State commissions are in the best position to work with LECs on services and programs that meet local needs.

In particular, the Commission should not adopt the suggested disconnect prohibition. We discuss the numerous problems with this suggestion below in Sections A and B of this part of our comments. If, contrary to our recommendations, the Commission requires any interstate toll blocking service or prohibition on disconnects, the Commission should clearly limit the requirement to residential service. Low-income residential subscribers are clearly the Commission's concern in this area.[21] As discussed below in Section B, even with this limitation the suggested disconnect prohibition would be overbroad because it would affect all residential customers, rather than just low-income customers.

---

[21] See NPRM, paras. 7, 16, 19, 11. We offer Toll Restriction, Toll Blocking, and Limited Disconnect to both residential and small business customers. We should remain free to develop call control services for whatever customer segments we believe will benefit from them. The Commission should limit any requirements, however, to its area of most concern, residential customers, and we believe that even those requirements would restrict our flexibility to meet customer needs and be contrary to the public interest.

A. <u>The Prohibition On Disconnection Would Be Contrary To The Public Interest In Numerous Ways</u>

The Commission should not prohibit disconnection of local service for nonpayment of interstate service. Two pieces of perceived "evidence" have led the Commission to consider this alternative and neither justifies this drastic step.

The Commission states that the first piece of evidence is "empirical evidence that prohibiting disconnection of local service for nonpayment of toll charges increases telephone subscribership."[22] That supposed evidence is that "Pennsylvania, one of the first jurisdictions to take such action, has the highest subscribership rate among the 50 states and the District of Columbia, up from eighth a decade ago."[23] The Commission also asserts that other states with the same prohibition have subscribership levels above the national average.[24]

The Commission based its empirical findings on the November 1994 penetration rates then available. The March 1995 penetration rates, released by the Commission on August 1, 1995, show that Pennsylvania is no longer the subscribership leader. In fact, six other states now have surpassed Pennsylvania's penetration rates, sending it back to nearly the ranking that it held a decade ago.[25] This change points out the need to avoid specific regulatory prescriptions based on fluctuating statistics.

---

[22] <u>Id.</u> at para. 30.

[23] <u>Id.</u>

[24] <u>Id.</u> at para. 11. The Commission at n.12 lists Nevada as one of the states, but Nevada has never had this prohibition.

[25] The six states are Utah (98 percent), Wisconsin (98 percent), Nebraska (97.2 percent), Colorado (96.9 percent), Virginia (96.9 percent), and Minnesota (96.8 percent).

Even if Pennsylvania were still number one among the states, it could not reasonably be concluded that the prohibition on disconnects was the sole reason for that or that mandating prohibitions in other states would cause a similar result. Barriers to subscribership are complex and numerous, and drastic steps should not be taken based on so little evidence

The Commission states that the second piece of evidence in favor of a disconnect prohibition is "strong survey evidence that the single most significant cause of non-subscribership is disconnection of subscribers because of inability to control toll call usage...."[26] We agree that this is one important factor, but that does not mean that the Commission should proscribe disconnects. The California Affordability Study is evidence of the importance of toll-call control to retain subscribers, and we intend to offer toll blocking and other services to deal with this customer need. These services are targeted directly at the problem and help customers deal with it, without creating the problems and risks of a blanket prohibition on disconnection of local service. The problems and risks of that prohibition are substantial and numerous.

First, the prohibition would severely reduce the incentive of customers to take advantage of toll blocking and other call-control and debt-management services. Government protection would replace assisted self-help services.

Second, if customers do not learn to control their toll calling and to manage their toll debt, experience shows that they ultimately will default on their local charges as well. The prohibition on disconnect for nonpayment of interstate charges

---

[26] NPRM, para. 30